

CRIME AWARENESS NEWSLETTER

Volume 00-03

May 2000



Courtesy of the

**Department of Defense
Office of the Inspector General
Defense Criminal Investigative Service
Central Field Office**



To receive this newsletter electronically e-mail requests to 40SL@dodig.osd.mil. You can download this and past editions of the newsletter and the Adobe Acrobat Reader ver. 3.0 at www.desc.dla.mil/main/d/home_g.htm. This newsletter is based on press releases and public information.

Indictments

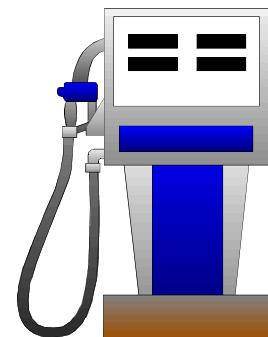
False Statements

A six-count indictment was returned against Michael Anderson, owner and operator of Ranger Military Surplus, Moriarty, NM. Anderson is charged with allegedly submitting two false statements to the DoD, impersonation of an officer, and possession of firearms and ammunition as a convicted felon. In August 1998, DLA debarred Anderson and his company and excluded them from purchasing surplus and foreign excess personal property from the Federal Government for three years. In November 1998, Anderson allegedly obtained a new bidder identification (ID) number from the Defense Reutilization and Marketing Office (DRMO) at Holloman AFB, Alamogordo, NM, by using the alias

"Mikael Anderson" doing business as "Ranger Military Equipment Sales." He allegedly certified in writing that he was not debarred. In February 1999, Anderson, used his alias and fraudulent bidder ID to purchase surplus property from the Holloman DRMO, again certifying he was not debarred. In November 1998, Anderson had attempted to enter Kirtland AFB, Albuquerque, NM, to attend a DRMO sale. He was stopped and asked to produce proper military ID. Anderson produced a New Mexico State driver's license and a business card that read "Ranger Military Supply, Captain Michael Anderson, United States Marine Corps." Anderson has been convicted previously on six separate occasions for felony violations in Texas, Arizona and Nevada. The Albuquerque Post of Duty (POD) is conducting the investigation jointly with the Bureau of Alcohol Tobacco and Firearms (BATF), the Federal Bureau of Investigation (FBI), the Albuquerque Police Department, the Tarrant County Sheriff's Office, the New Mexico State Police, and the DLA Criminal Investigation Activity.

Theft

A six-count indictment was returned against Ahmed Dabbas, Riverside, CA, charging him with theft of Government property and conspiracy. An investigation disclosed Dabbas allegedly conspired with others to divert Government-owned fuels. The Owner Operated Petroleum Corporation (OOPC), Corona, CA, held DoD contracts to transport jet aircraft fuels from the Defense Energy Supply Center (DESC), San Pedro, CA, to various military installations throughout southern California. Charles Rabico, an owner of OOPC, conspired with Dale Mellies to divert the fuels. Mellies was a superintendent with Allied Management of Texas that had contracted with DESC to provide personnel to manage and operate the DESC, San Pedro, CA. Mellies, in turn, sold the fuels to Dabbas.



Dabbas then blended the aircraft fuels with lower grade fuels and sold it as diesel fuel to the public through his gas stations in San Bernadino and Redlands, CA. The fuels obtained from the DESC did not include Federal, state or local taxes, which are normally added at the time the fuel is transported from refineries, therefore, Dabbas purchased the fuels at significantly lower prices. Dabbas also avoided paying the required Federal, state and local taxes, in addition to collecting the taxes from his customers at the time of sale. Rabico and Mellies were previously convicted for their parts in this scheme. The Woodland Hills Resident Agency (RA) conducted the investigation with the FBI, the Department of Transportation (DOT) and the State of California Board of Equalization.

Health Care Fraud

A previously sealed 31-count indictment was returned against Eversley "Don" Haswell and Karla Haswell, owners of Valley Counseling, Colorado Springs, CO, charging them with mail fraud, health care fraud, conspiracy to defraud with respect to claims, money laundering conspiracy, and obstruction. Karla Haswell was also indicted for false statements relating to health care matters. An investigation disclosed the Haswells allegedly submitted false claims to TRICARE and Medicare for mental health care counseling they did not provide. Over \$1.5 million in fraudulent claims were submitted by the Haswells to TRICARE for services that were falsely represented as being performed by an authorized provider other than Eversley Haswell, and for services alleg-

edly not provided to the beneficiaries. The Haswells also allegedly submitted over \$26,000 in false and fictitious claims to Medicare for services that were not rendered or were not rendered by the authorized provider claimed. The Denver RA conducted the investigation with the Internal Revenue service (IRS), the Department of Health and Human Services (HHS) and the TRICARE Program Integrity Office.



False Statement

Indictments were returned against Transchem, Incorporated, Corona, CA, Tim Aiu, former Transchem general manager, and Ernie Aiu, former Transchem operations manager. Transchem and the Aiu brothers are charged with conspiracy, 6 counts of mail fraud and 11 counts of making false statements to the DoD. Transchem allegedly submitted false statements during the manufacture of power supplies for the DoD. Transchem contracted to deliver power supplies manufactured, tested and inspected according to stringent military and customer standards. The contracts specifically required a "burn-in" test, also known as a temperature conditioning cycling test. The Aius allegedly directed the systematic falsification of burn-in testing that included not per-

forming the test or improperly performing the test by shortening the test time. In addition, Transchem allegedly failed to perform the required decontamination procedures on printed circuit boards used in the power supplies, also at the direction of the Aius. A safety alert was previously issued to notify affected programs of potential safety issues. The affected programs include the U.S. Navy Harpoon missile and PC-3 Orion aircraft, and the U.S. Army Firefinder radar and Sentinel radar. The Western Field Office (FO) is conducting the investigation with the U.S. Army Criminal Investigative Command (USACIDC) and the Defense Contract Management Agency (DCMA).

False Statements

An indictment was filed in the Eastern District of Virginia against Jerry Parks, Sr., Alpharetta, GA. Parks is charged with submitting a false statement to the Government and causing a false statement to be submitted to the Government. As the owner of 4-J Technologies, a DoD subcontractor, Parks performed electrical preventive maintenance work on a contract with the DLA, Fort Belvoir, VA during 1997. After removal from the contract for poor performance, it was discovered Parks allegedly falsified requisite training certifications submitted to obtain the subcontract. The alleged false documents certified that Parks and his employee were certified Automatic Transfer Switch Technicians. Without the required training, Parks performed work on the Paralleling Switchgear at the DLA Headquarters complex building. The breakers were subsequently dis-

covered in an open position, which jeopardized the safety of the building. The Mid-Atlantic FO is conducting the investigation with the OIG, Department of State.

Conspiracy

Indictments were returned against Copeland Manufacturing Corporation (CMC), Donald Copeland, owner, and Steven Copeland, president, charging them with conspiracy, major fraud against the Government and making false statements to the Government. The CMC is alleged to have knowingly provided the Government with defective and nonconforming parts such as the "spoiler-actuator attachment fittings" for the Tele-dyne Ryan Aerospace Tier II+ Global Hawk, an unmanned reconnaissance aircraft. CMC is also alleged to have produced nonconforming parts for the Space Station. The Tulsa POD is conducting the investigation.

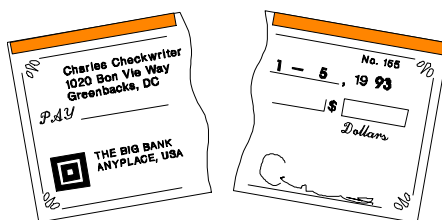
Health Care Fraud

A second superseding indictment was returned against Dr. Herbert A. Daniels, an ear, nose and throat specialist practicing in Kansas City, KS. The indictment excludes one of the original counts, adds a new health care fraud count, and makes miscellaneous changes to existing wording in the first superseding indictment. The 49-count indictment charges Daniels with health care fraud, mail fraud and money laundering for allegedly submitting false and fraudulent claims to Government funded insurance programs. Those programs include the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS--now known as TRICARE), Medicare and Medicaid, as well as private in-

surance companies. The Kansas City RA is conducting the investigation jointly with the FBI.

Bank Fraud

Carl D. Keys, Columbus, OH, was arrested for allegedly engaging in a conspiracy to commit bank fraud. During an ongoing investigation into the theft of DoD and other payment checks, it was determined that individuals had entered a local Post Office and stolen various checks and credit cards, including Defense Finance and Accounting Service payment checks. The Columbus RA is conducting the investigation with the U.S. Postal Inspection Service.



Mail Fraud

A two-count information was filed against David Mendyka charging him with mail fraud connected with the embezzlement of U.S. Government funds and possession of prohibited material involving minors. Mendyka is alleged to have fraudulently issued at least 53 U. S. Treasury checks from the DFAS, Cleveland, OH, where he was previously employed. The fraudulent payments then were mailed to various individuals, including several of his relatives. The total value of the payments exceeds \$182,527. It was further alleged that Mendyka ille-

gally possessed images of minors engaged in sexually explicit acts, which he maintained in a computerized form on his personally owned computer. The Cleveland RA is conducting the investigation jointly with the U.S. Postal Inspection Service.

Misprision of a Felony

Michael A. Nnaife, president, G-Cat Enterprises, Incorporated (G-Cat), Hartford, CT, and Denise Francis, G-Cat's vice president, pled guilty to wire fraud and misprision of a felony, respectively. The charges relate to G-Cat's receipt of a state loan. G-Cat manufactures, processes and sells wire and cable products to the DoD, other Government agencies and commercial customers. Nnaife and Francis, acting on behalf of G-Cat, applied for and subsequently received a \$970,000 loan from the State of Connecticut, which positioned G-Cat to obtain additional Government and private sector contracts. The loan disbursements were made to G-Cat in 1993 and 1994, and at least \$450,000 was to be used to purchase new machinery and equipment. Nnaife and Francis subsequently represented that G-Cat had purchased and installed specific pieces of machinery and equipment. However, it was determined that some of the machinery or equipment was never ordered, or the order was cancelled; the items returned, or in some instances the equipment was leased. G-Cat defaulted on the loan in 1995 and currently owes the State of Connecticut over \$1 million in principal, interest and late payments. The Hartford RA conducted the investigation with the FBI.

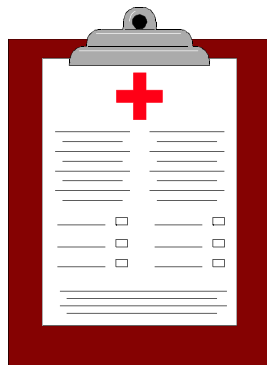
False Claim

John M. Sutherland and Morris Kelly each pled guilty in Jacksonville, FL, to filing a false claim with the U.S. Government. Sutherland and Kelly owned and operated National Vascular Clinic, which operated clinics throughout Florida. A multi-agency Federal task force operation investigating health care fraud in northeast Florida, disclosed that Sutherland and Kelly filed false claims in connection with health care claims made to TRICARE, Medicare and other health care programs. The clinics were billing for tests never administered and billing for tests that were not medically necessary. The Jacksonville POD conducted the investigation with the FBI.

Kickbacks

Dr. Brij K. Mittal was found guilty of one count of conspiracy and three counts of violating the Anti-Kickback Act. On June 18, 1998, 11 physicians, including Dr. Mittal, and an office manager were arrested and charged with accepting kickback cash payments in exchange for referring patients for durable medical equipment, magnetic resonance imaging and other radiological services. All the physicians participated in the Medicare program, and several participated in the DoD TRICARE program. This conspiracy was disclosed during a joint investigation that initially targeted Ganesh Surgical Supplies, Incorporated (Ganesh), New Rochelle, NY, and American Open MRI Center, Incorporated (American Open), Forest Hills, Queens, NY, which were paying kickbacks to physicians in exchange for the referral of patients. Ganesh and American Open coop-

erated with the Government and continued to make kickback payments until April 1998. The New York RA conducted the investigation jointly with the FBI, the HHS and the IRS.



Health Care

Dr. Rodney Mannion, LaPorte, IN, pled guilty in U.S. District Court, Boston, MA, to conspiring to defraud Federal health care programs. Mannion illegally billed programs such as Medicare and the DoD TRICARE program for the injectable drug Lupron that he administered to patients suffering from prostate cancer. Unlike most drugs prescribed by physicians and due to its status as a cancer treatment, Lupron is purchased by physicians, injected into the patient during an office visit, and then billed by the physician to third parties such as Medicare or TRICARE. A nationwide investigation disclosed that Mannion was illegally billing the Government for drugs he had received at no cost from the manufacturer, TAP Pharmaceuticals of Deerfield, IL. The investigation further disclosed that in the 1990s, Mannion, despite being reimbursed by the Federal Government for the Lupron injections, had fallen behind in his payments to TAP and had an approximate \$100,000 outstanding balance due to TAP. Consequently, TAP provided the

no-cost Lupron to Mannion so he could administer the injections, bill third party payers and repay TAP from those proceeds. This allowed TAP to recover a large portion of its potential loss at the expense of the Government. The Boston RA is conducting the investigation with the FBI, the Food and Drug Administration and the HHS.

False Statements

Ralph Braden, co-owner of Ayeone Machine and Grinding Company (Ayeone), Las Vegas, NV, pled guilty to making false statements to the Government. In a related case, Marguerite Braden, co-owner of Ayeone, pled guilty to an information filed the same date charging her with conspiracy to defraud the United States. An investigation determined the Bradens made false representations in the administration of DoD contracts awarded to Ayeone for the procurement of Government vehicle parts. The value of the contracts exceeded \$100,000. The Salt Lake City RA conducted the investigations with the USACIDC.

Kickbacks

Drs. Ira Liss and Michael Spuza were found guilty in U.S. District Court, Tampa, FL, of receiving kickback payments for the referral of patients. The doctors received kickback payments from Clearwater Community Laboratory, Incorporated, Clearwater, FL, for their patient referrals, which included individuals covered by the DoD TRICARE program. The Tampa Bay POD conducted the investigation with the FBI, the IRS, the HHS and the U.S. Postal Inspection Service.

Theft

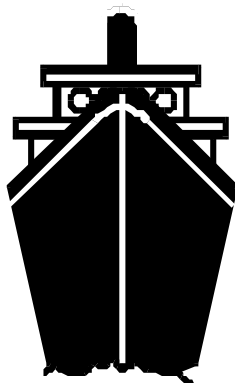
Zackariah O'Brien Stanley pled guilty to one count of theft of Government property. Stanley and an accomplice broke into the U.S. Army Reserve, 316th Quartermaster Battalion, Okmulgee, OK, and stole a High Mobility Multi-purpose Wheeled Vehicle (HUMVEE). After stealing the HUMVEE, it was driven to secluded acreage, stripped of its top, doors and cryptograph communication radio, then used as a recreational vehicle until abandoned several weeks later. When the Government recovered the HUMVEE and radio, both were determined to be unserviceable. The Tulsa POD conducted the investigation.

False Claims

Edward Carlton waived indictment and pled guilty to submitting a false claim to the U.S. Government. Carlton operated chiropractic treatment facilities in Manassas, VA. Carlton was aware that Medicare beneficiaries were entitled to a limited number of chiropractic treatments per diagnosed condition. In an attempt to circumvent this, rather than charge the Medicare beneficiary directly, or seek to bill secondary insurance, Carlton fabricated a new diagnosis and condition, and continued to bill Medicare for treatments. From about September 1993 to June 1999, Carlton submitted approximately 778 claims to Medicare, knowing they misrepresented the diagnosis for which he was providing the chiropractic services. Medicare paid Carlton approximately \$17,632. The Mid-Atlantic FO conducted the investigation with the FBI and the IRS.

Gratuities

Anthony Frizzi, Revere, MA, a former local union official, pled guilty to violating the Taft-Hartley Act by accepting wages for a no-show job at a Boston shipyard. Frizzi worked as a paid union official for Union Local S-25 of the International Association of Machinists and Aerospace Workers, Boston, MA. Local S-25 held a contract with a South Boston, MA shipyard, Boston Ship Repair, Inc. (BSR), that worked on U.S. Navy vessels. In violation of the Taft-Hartley Act, Frizzi went on the payroll of BSR and collected wages from both the union and BSR. While Frizzi was paid by BSR for a 40-hour week, at most he worked only a few hours per week, that time being spent on union business, not as a tradesman for the shipyard. Under the Taft-Hartley Act, this is considered an illegal gratuity. It was also determined Frizzi used his son's Social Security Number when he signed on as a BSR employee. As a result of a major nationwide Federal investigation into corruption in the maritime industry, the owners of BSR were previously convicted of paying illegal kickbacks to obtain DoD ship repair business. The Boston RA conducted the investigation with the FBI and the Department of Labor.



Bank Larceny

Bret William Speese pled guilty to one count of bank larceny. Speese, an employee at the Defense Depot Susquehanna, Pennsylvania (DDSP), New Cumberland, PA, developed a bank fraud scheme around December 1999. Specifically, Speese attempted to deposit several checks as cash into a New Cumberland Federal Credit Union account he opened in April 1999. The checks were being drawn on a closed Pennsylvania Employees Credit Union account. Speese had previously deposited other bad checks at branch locations in New Cumberland, PA, to include two branches located on the DDSP base between December 21, 1999 and December 27, 1999. At the time of each deposit, Speese took a portion of the deposit in cash, then proceeded to withdraw the remaining amount of each deposit from numerous automatic transaction machines. The Northeast FO conducted the investigation jointly with the FBI and the DDSP Office of Public Safety.

False Statements

Royce Frandsen, chief engineer for Transchem, Incorporated (Transchem), Corona, CA, pled guilty to one count of making false statements to the DoD and one count of aiding and abetting. An investigation disclosed that Frandsen submitted false statements during the manufacture of Transchem power supplies for the DoD. Pursuant to military contracts, Transchem was required to deliver power supplies manufactured, tested and inspected according to stringent military and customer standards. Specifically, Transchem's contracts required

that the power supply devices be subjected to a "burn-in" test, also known as a temperature conditioning cycling test. Frandsen systematically falsified the burn-in test by either not performing the test or improperly performing the test by shortening the amount of time the test was performed. Frandsen is co-operating in the investigation. A safety alert was previously issued to notify affected programs of potential safety issues. Affected programs include the U. S. Navy Harpoon missile program and the U.S. Army Firefinder and Sentinel radar programs. The Western FO conducted the investigation with the USACIDC and the DCMA.

Health Care

Dr. Nagesh Shetty, Costa Mesa, CA, was found guilty on 26 counts of mail fraud. An investigation disclosed Shetty fraudulently billed CHAMPUS (now known as TRICARE) and Blue Cross for services he never rendered and/or for medically unnecessary services during the years 1993 and 1994. To justify the fraudulent billings, Shetty repeatedly placed false diagnoses on the insurance claim forms submitted for his patients. Several patients saw Shetty to have prescriptions filled or to have their cholesterol level or blood pressure monitored. Shetty recommended these patients to visit weekly and then he would run numerous electrocardiograms, hepatitis tests, syphilis tests and spirometry tests during each visit. During the trial, Shetty's patients denied ever receiving many of the billed services. For the years under investigation, Shetty billed CHAMPUS in excess of \$725,000. Shetty recently com-

pleted serving a 21-month sentence for tax fraud. The Western FO conducted the investigation with the FBI.

Mail Fraud

Willard F. Workman, former business development manager for Government contractor Federal Data Corporation, Bethesda, MD, pled guilty to mail fraud. Legend Micro, Incorporated (Legend), Akron, OH, was a Federal Data Corporation subcontractor. Between October 7, 1998 and August 13, 1999, Workman received kickbacks or "special promotional incentive fees" from Legend at the rate of \$10 per computer sold under a U.S. Navy delivery order with Federal Data Corporation. Workman ultimately received \$62,700 in kickbacks for arranging the selection of Legend products by the Federal Data Corporation and the U.S. Navy. The Mid-Atlantic FO conducted the investigation with the FBI and the Naval Criminal Investigative Service.



Sentences

False Claims

Bonnie A. Phillips, former general manager and secretary/treasurer of Intercontinental Van Lines of Indiana, LLC (Intercontinental), Indianapolis,

IN, pled guilty to submitting false claims to the U.S. Government. On the same date, Phillips was sentenced to 6 months home detention, 2 years probation, 100 hours of community service, and ordered to pay \$53,225 restitution and a \$50 special assessment fee. An investigation disclosed Phillips submitted false claims in connection with the movement of DoD property from Fort Harrison, IN, to Fort Jackson, SC. The Military Traffic Management Command contracted with Burnham Service Corporation (Burnham), Atlanta, GA, to move office equipment and other miscellaneous property from Fort Harrison to Fort Jackson. Burnham subcontracted with Intercontinental and they were responsible for the packing and loading of the equipment at Fort Harrison. Phillips submitted claims for packing material, specifically wooden crating, that was never used. The DoD loss was approximately \$53,000. The Indianapolis POD, conducted the investigation.

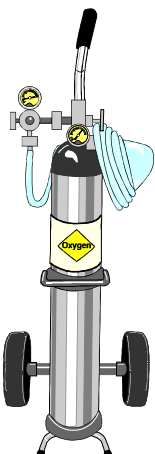
Health Care

Christine Larner Warren, president of the now defunct Consultants in Nutritional Services, Incorporated (CNS), Norfolk, VA, was sentenced to 180 days home detention, 5 years probation, 90 hours of community service, restitution of \$109,437.05, and a \$100 special assessment fee. Warren previously pled guilty to conspiring to commit health care fraud. Warren and co-conspirators submitted numerous fraudulent health care claims to TRICARE, Medicare and TRIGON. The claims falsely depicted the provider of services and disguised the actual services furnished. The

CNS offered nutritional counseling and weight loss management to its customers, a benefit not covered under the TRICARE program. The aggregate loss to the health care programs is \$109,437. The Norfolk RA conducted the investigation with the FBI, the HHS and the TRIGON Financial Investigations Unit.

Theft

Jacques Dimitrie Glover, a supply technician with the Defense Logistics Information Service, Battle Creek, MI, was sentenced to pay \$3,179.57 in restitution and a \$25 special assessment fee for one count of theft of public funds. Glover submitted a false claim for reimbursement of moving expenses, in connection with her relocation from Dayton, OH, to Battle Creek, MI. Specifically, Glover claimed her spouse accompanied her on various dates from June 1998 to September 1998, during a permanent change of duty station relocation. An investigation revealed Glover's spouse did not accompany her on many of the dates listed in her claim, thus, she was not entitled to the larger reimbursement claimed. The Chicago POD conducted the investigation jointly with the DLA Criminal Investigations Activity.



Kickback

Floyd Joseph Warwick, Jr., Jacksonville, FL, was sentenced to 5 years probation, a \$1,000 fine, a \$100 special assessment and ordered to serve 100 hours of community service for paying a kickback. Warwick, a licensed pharmacist in Jacksonville, FL, owns and operates an independent pharmacy, Highland Drug Company, and a home oxygen company, Aurex, Incorporated. An investigation into health care fraud in northeast Florida disclosed that Warwick had offered and had paid a physician a monetary kickback each time the physician referred a patient for home oxygen care. The patients included individuals enrolled in the DoD TRICARE program and Medicare. The Jacksonville POD conducted the investigation with the FBI and the Naval Criminal Investigative Service.

False Statements

Mirza Z. Ali was sentenced to 30 months incarceration, 4 years supervised probation, \$602,682 in restitution to the Cupertino National Bank and a \$600 special assessment to the DoJ. Ali was previously convicted of making false statements to the Government, conspiring to make false statements to the Government, making a false loan application and bank fraud. Ali operated as a principal of his wife's company, Samtech Research, Fremont, CA, despite his previous debarment from Federal contracting by the HHS. Ali used the aliases Zulfikar Eqbal and Henry Stone to further the fraud schemes. During the debarment period, Samtech Research was awarded DoD contracts valued at over \$3 million. The DoD discovered Ali's previous debarment and cancelled

the contracts prior to paying Samtech Research any funds. Ali, using an alias and an illegally obtained Social Security Number, also applied for an \$800,000 home construction loan from the federally insured Cupertino National Bank, Cupertino, CA. He obtained in excess of \$240,000 from the bank under false pretenses and by providing false information. The Sacramento POD conducted the investigation with the OIG, Social Security Administration.

Obstruction of Justice

Deborah Collins Jones was sentenced to 36 months probation, with 6 months home confinement, ordered to pay a \$100,000 fine, and a \$50 special assessment for obstruction of justice. On March 19, 1999, Jones was ordered to pay \$500,000 in a civil agreement with the District of South Carolina, Columbia, SC. Additionally, Jones and Indigo Rehabilitation Center (Indigo), her wholly owned corporation, agreed to be excluded via statutory provision from participation in TRICARE, Medicare, Medicaid and all other Federal health care programs for a period of 3 years. From 1992 to 1995, Jones was a licensed physical therapist, doing business as Indigo. Jones employed and directed unlicensed aides to administer physical therapy treatments (including massage, electric stimulation and ultrasound treatments) to patients without the required supervision by licensed personnel. She then submitted claims to TRICARE, Medicare and Medicaid for these treatments and falsely increased the number of units and therapies provided to patients in those claims. The Southeast FO conducted the in-

vestigation with the FBI and the HHS.

False Claims and Obstruction

The following were sentenced as a result of the Isratex, Incorporated (Isratex), investigation:

Abe Brin, former Isratex president - 4 months detention, 3 years supervised release, a \$4,000 fine, a \$100 special assessment and restitution of \$195,000;

Yehudah Yoav Brin, former Isratex vice president - 6 months and 1 day detention, 2 years supervised release, a \$40,000 fine and a \$50 special assessment;

Jose Ramos-Arroyo, former production manager of the Sabana Grande plant, Isratex of Puerto Rico, Incorporated - 2 years probation and a \$50 special assessment;

Zvi Rosenthal, former Isratex production manager - 6 months home detention, 3 months probation, a \$20,000 fine and a \$50 special assessment;

Timothy G. Lafferty, former president of Isratex affiliate Marywell, Ltd. - 4 months home detention, 2 years probation, a \$3,000 fine and a \$50 special assessment;

Larry Sailer, former plant manager of Isratex's West Virginia facility (Isratex-WV) - 2 years probation, a \$5,000 fine and \$75 special assessment;

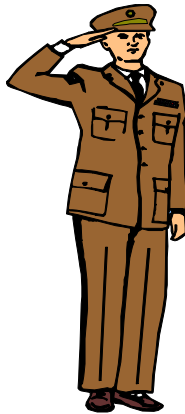
William Osborne, former quality manager, Isratex-WV - 2 years probation, a \$5,000 fine and a \$25 special assessment;

Isratex - 3 years probation, a \$266,825.50 fine and a \$200 special assessment; and

Isratex of Puerto Rico, Incorporated, a wholly owned Isratex subsidiary - 3 years probation, a \$96,669.22 fine and a

\$200 special assessment.

The Brins, Rosenthal, Ramos, the corporations, Sailer and Osborne previously pled to various counts of submitting a false, fictitious or fraudulent claim, or making a false certificate or writing. Lafferty previously pled guilty to obstruction of justice by failing to comply with a grand jury subpoena issued by direction of a grand jury sitting in the District of Puerto Rico. The pleas and subsequent sentences relate to Isratex's performance on five contracts awarded by the Defense Supply Center, Philadelphia (formerly the Defense Personnel Support Center), to manufacture various types of military uniforms and other types of military apparel. The New York RA and the Pittsburgh POD conducted the investigation with the BATF, with audit assistance from the DCAA.



Wire Fraud

Charles Kellner, Charlotte, VT, was sentenced to 3 years of supervised probation, a \$100,000 fine and ordered to pay a \$100 special court assessment. Kellner, president and owner of Kellner Electronics, Inc., Charlotte, VT, previously pled guilty to wire fraud. Kellner Electronics, which distributes electronic components

such as capacitors and resistors to the DoD, the NASA and commercial customers, was providing nonconforming hardware. The scheme involved physically altering electronic values as well as the original equipment manufacturer of the item. It was determined Kellner instructed his employees to alter products shipped to customers. The Hartford RA conducted the investigation with the FBI.

Bribery

Charles A. Nelson, Marysville, PA, was sentenced to 1 year of incarceration, 3 years probation and to pay \$36,535 in restitution. Nelson, a former Government expeditor at the DDSP, New Cumberland, PA, previously pled guilty to accepting a bribe. From 1996 to 1998 Nelson solicited a bribe from a Government supplier in return for increased and continued business with the DDSP. Specifically, Nelson and Richard Miller, owner of Big R Industrial Supplies (Big R), Marysville, PA, entered into a business relationship where Miller made bribery payments to Nelson for directing Government purchases to Big R. As a conduit for fostering this illegal relationship, Miller had established Big R as a Pennsylvania sole proprietorship at Nelson's direction. Nelson retired from his position at DDSP following initiation of the investigation. The Northeast FO conducted the investigation jointly with the FBI and the IRS.

Environmental Crimes

Allied Environmental Services, Incorporated (AES), Kansas City, KS; Koteswara Attaluri, its president, and Mac DeWayne Overholt, owner of Overholt Trucking, Terlton, OK, were sen-

tenced as follows: AES to 5 years probation and a \$400 special assessment; Attaluri to 55 months imprisonment, 3 years supervised probation and a \$100 special assessment; Overholt to 87 months imprisonment, 3 years supervised probation and a \$350 special assessment. All were found jointly and severally liable to pay \$1,265,078.66 in restitution. The defendants were found guilty of conspiring to inject liquid waste into a Class II disposal well without a permit, transporting hazardous waste without a manifest, mail fraud, wire fraud and defrauding the Government by interfering with the lawful function of the EPA or the DoD. Overholt also violated the Clean Water Act, Resources Conservation and Recovery Act and made false statements to Government officials. Allied subcontracted with three corporations that held Government contracts to remove underground storage tanks and the associated petroleum-impacted wastewater from various military facilities in Kansas and Missouri. Allied and Attaluri agreed to remove the wastewater, properly treat it at their Bonner Springs, KS, Tank Farm to remove the petroleum, and properly dispose of the water. Allied and Attaluri knew the treatment at their Bonner Springs Tank Farm could not properly treat the wastewater. Allied and Attaluri then arranged with Overholt to have the improperly treated wastewater transported to Oklahoma and illegally injected into disposal wells in Cushing, Beggs, and Lincoln County, OK, thereby endangering underground drinking water sources. This activity took place over a 15-month period during 1994 and 1995, and involved the disposal of over

288,000 gallons of petroleum-impacted wastewater. The Tulsa POD conducted the investigation jointly with the EPA and the Oklahoma Department of Environmental Quality.



Environmental Crimes

Steven Marshal Dixon, president of Spectra Environmental Services, Incorporated (Spectra), and Spectra, Alcoa, TN, were sentenced for violations of the Resource Conservation and Recovery Act. Dixon was sentenced to 1 year of probation, 150 hours of community service, a \$2,400 fine and a \$25 special assessment; Spectra was sentenced to 3 years probation, a \$3,600 fine, and a \$400 special assessment. Spectra, an EPA permitted transporter, obtained and mixed hazardous waste, including paint gun wash, carburetor cleaner and other solvents, with nonhazardous waste such as household acrylic paint waste, and transported the mixture as nonhazardous waste to disposal facilities in the southeastern United States. The Southeast FO conducted the investigation with the following members of the Eastern District of Tennessee Environmental Crimes Task Force: the FBI, the EPA and the Department of Energy (DOE).

Environmental Crimes

Essex Waste Management Services, Incorporated (Essex), Kingsville, MO, was sentenced to 36-months probation and ordered to pay a \$50,000 fine and a \$100 special assessment fee. Essex, a DoD contractor, previously pled guilty to violating its waste permit specifications for shredding military and non-military generated aerosol cans. The company previously paid a \$230,850 civil penalty to settle alleged violations of the Missouri Hazardous Waste Management Law, Missouri Solid Waste Law and Missouri Clean Water Law. The Kansas City RA conducted the investigation jointly with the FBI, the EPA and the Missouri Department of Natural Resources.

Civil Settlements

Health Care

A seven-count civil complaint was filed against Owen McCarthy, M.D., Dorothea E. McCarthy and Advanced Orthopaedics and Sports Medicine, Incorporated. The defendants allegedly filed false and fraudulent claims with the DoD TRI-CARE program and Medicare for medical expenses related to treatment for surgical and non-surgical billing. Specifically, the McCarthys developed a scheme to upcode treatment procedures for the claims submitted. The Orlando RA is conducting the investigation with the FBI and with DCAA audit support.



To report suspected criminal activity involving the Department of Defense please contact the nearest Defense Criminal Investigative Service office.

Phoenix, AZ
Comm: (602) 277-7253/4
Telefax: (602) 277-9890
E-Mail: 30px@dodig.osd.mil

Long Beach, CA
Comm: (562) 980-4242
Telefax: (562) 980-4249
E-Mail: 50es@dodig.osd.mil

Mission Viejo, CA
Comm: (949) 643-4441
Telefax: (714) 643-4769
E-Mail: 50la@dodig.osd.mil

Sacramento, CA
Comm: (916) 489-1254
Telefax: (916) 489-1462
E-Mail: 50sm@dodig.osd.mil

San Diego, CA
Comm: (619) 569-1497/98
Telefax: (619) 569-6401
E-Mail: 50sd@dodig.osd.mil

San Francisco, CA
Comm: (510) 637-2965
Telefax: (510) 637-2972
E-Mail: 50sf@dodig.osd.mil

Van Nuys, CA
Comm: (818) 781-2575/3068
Telefax: (818) 781-3277
E-Mail: 50vn@dodig.osd.mil

Denver, CO
Comm: (303) 799-8182
Telefax: (303) 799-8615
E-Mail: 30da@dodig.osd.mil

Hartford, CT
Comm: (860) 721-7751
Telefax: (860) 721-6327
E-Mail: 10hf@dodig.osd.mil

Ft. Lauderdale, FL
Comm:(954) 202-9167
Telefax:(954) 202-9217
E-Mail: 20fl@dodig.osd.mil

Jacksonville, FL
Comm:: (904) 855-0991
Telefax: (904) 855-4078
E-Mail: 20jx@dodig.osd.mil

Orlando, FL
Comm: (407) 895-2622
Telefax: (407) 895-2620
E-Mail: 20or@dodig.osd.mil

Pensacola, FL
Comm: (850) 651-6377
Telefax: (850) 651-6962
E-Mail: 20pc@dodig.osd.mil

Atlanta, GA
Comm: (770) 916-9920/9926
Telefax: (770) 916-9937
E-Mail: 20at@dodig.osd.mil

Honolulu, HI
Comm: (808) 541-2590
Telefax: (808) 541-3609
E-Mail: 50hi@dodig.osd.mil

Chicago, IL
Voice: (847) 827-9480
Telefax: (847) 827-3724
E-Mail: 40ch@dodig.osd.mil

Indianapolis, IN
Voice: (317) 542-4009
Fax: (317) 542-4012
E-Mail: 40in@dodig.osd.mil

Kansas City, KS
Voice: (913) 551-1350
Telefax: (913) 551-1362
E-Mail: 40kc@dodig.osd.mil

Wichita, KS
Voice: (316) 682-1991
Telefax: (316) 682-1609
E-Mail: 40wc@dodig.osd.mil


New Orleans, LA
Comm: (504) 641-0691
Telefax: (504) 641-0838
E-Mail: 20no@dodig.osd.mil

Boston, MA
Comm: (617) 753-3044
Telefax: (617) 753-4284
E-Mail: 10bn@dodig.osd.mil

Chapel Hill, NC
Comm: (919) 929-4744/4746
Telefax: (919) 967-4325
E-Mail: 20rl@dodig.osd.mil

Baltimore, MD
Comm: (410) 529-9054
Telefax: (410) 529-9052
E-Mail: 60bt@dodig.osd.mil

St. Paul, MN
Voice: (651) 222-0212
Telefax: (651) 222-8316
E-Mail: 40mn@dodig.osd.mil

<p>St. Louis, MO Voice: (314) 539-2172 Telefax: (314) 539-2967 E-Mail: 40sl@dodig.osd.mil</p> <p>Edison, NJ Comm: (732) 819-8455 Telefax: (732) 819-9430 E-Mail: 10sp@dodig.osd.mil</p> <p>Albuquerque, NM 87109 Comm: (505)342-4800 Telefax: (505)342-4814 E-Mail: 30aq@dodig.osd.mil</p> <p>New York, NY Comm: (516) 420-4302 /4307 Telefax: (516) 420-4316 E-Mail: 10ny@dodig.osd.mil</p> <p>Syracuse, NY Comm: (315) 423-5019 Telefax: (315) 423-5099 E-Mail: 10sy@dodig.osd.mil</p> <p>Cleveland, OH Voice: (216) 522-2296/7 Telefax: (216) 522-7196 E-Mail: 40cl@dodig.osd.mil</p> <p>Columbus, OH Voice: (614) 692-3629/3855 Telefax: (614) 231-8905 E-Mail: 40co@dodig.osd.mil</p> <p>Dayton, OH Voice: (937) 534-0100 Telefax: (937) 534-0117 E-Mail: 40dy@dodig.osd.mil</p> <p>Tulsa, OK Comm: (918) 581-6485 Telefax: (918) 581-6489 E-Mail: 30tl@dodig.osd.mil</p>	<p>Philadelphia, PA Comm: (610) 595-1900 Telefax: (610) 595-1934 E-Mail: 10pa@dodig.osd.mil</p> <p>Pittsburgh, PA Comm: (412) 395-6931/6879 Telefax: (412) 395-4557 E-Mail: 10pb@dodig.osd.mil</p> <p>Sioux Falls, SD Voice: (605) 330-4211 Telefax: (605) 330-4212 E-Mail: 40sx@dodig.osd.mil</p> <p>Nashville, TN Comm: (615) 736-2930 Telefax: (615) 736-2939 E-Mail: 20nv@dodig.osd.mil</p> <p>Dallas, TX Comm: (817) 543-4350 Telefax: (817) 543-4365 E-Mail: 30da@dodig.osd.mil</p> <p>Houston, TX Comm: (713) 227-7263 Telefax: (713) 236-8487 E-Mail: 30hs@dodig.osd.mil</p> <p>San Antonio, TX Comm: (210) 366-1037 Telefax: (210) 366-4031 E-Mail: 30sa@dodig.osd.mil</p> <p>Salt Lake City, UT Comm: (801) 625-5703 Telefax: (801) 625-5711 E-Mail: 30og@dodig.osd.mil</p> <p>Seattle, WA Comm: (206) 553-0700 Telefax: (206) 553-0057 E-Mail: 30da@dodig.osd.mil</p>	<p>Arlington, VA Comm: (703) 604-8439/40 Telefax: (703) 604-8442 E-Mail: 60dc@dodig.osd.mil</p> <p>Norfolk, VA Comm: (757) 441-3412 Telefax: (757) 626-1891 E-Mail: 60nf@dodig.osd.mil</p> <p>Richmond, VA Comm: (804) 748-2055 Telefax: (804) 748-5327 E-Mail: 60rm@dodig.osd.mil</p> <p>Milwaukee, WI Voice: (414) 297-1810 Telefax: (414) 297-1817 E-Mail: 40ml@dodig.osd.mil</p> <p>Wiesbaden, Germany Comm: 011-49-611-3807526 Telefax: 011-49-611-3807421 DSN: 338-7526 Fax: 338-7421</p> <p><i>You may also call, write or e-mail the Department of Defense Hotline at Defense Hotline The Pentagon Washington, DC 20301-1900 Voice: (800) 424-9098 Voice: (703) 604-8546 E-Mail: hotline@dodig.osd.mil</i></p> 
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------